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The effect of retiring a capital interest out of profits is shown in the following illustrations:

FIRST SITUATION			
Invested assets...	\$200,000	Equity of bondholders.....	\$100,000
		Equity of shareholders.....	100,000
	<u>\$200,000</u>		<u>\$200,000</u>
SECOND SITUATION			
Invested assets...	\$200,000	Equity of bondholders.....	\$100,000
Cash from profits.	100,000	Equity of shareholders.....	200,000
	<u>\$300,000</u>		<u>\$300,000</u>
THIRD SITUATION			
Invested assets...	<u>\$200,000</u>	Equity of shareholders.....	<u>\$200,000</u>

Briefly and succinctly stated, the foregoing illustrations show that the profits belonged to the shareholders until the shareholders used the profits to purchase the equity of the bondholders.

The conclusion must be reached, it seems, that appropriated surplus, or a

reserve for sinking fund, does not automatically revert to earned surplus which is available for dividends when the purpose for which the appropriation or reserve was created has served its purpose. It may be capitalized by means of a stock dividend, or it may be refunded by a capital issue, in which latter case profits previously used for the purchase of a capital equity are recovered out of the resale of the equity and thus become available for dividends. A distinction should be made, probably, between recovering the profits through the sale of a capital interest, and borrowing on current account for the purpose of paying a dividend. The latter does not release the profits from the capital account.

While appropriated surplus does not revert to earned surplus except through the channels indicated, there seems to be no reason why such steps may not be taken from time to time as the capital obligation is liquidated without waiting until the entire process of liquidation has been completed.

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Brisco, Norris A. *Principles of Retailing.* (New York, Prentice-Hall, 1927. 324 p.)

Burton, Charles Seth. *The Investment Trust.* (New York, Whit-Print Company, 1928. 57 p. tables.)

Fisk, Harvey Edward, Jr., and Harrison, H. M. *Estates, 1928-1929.* (New York, Sinclair, Murray & Company, 1928. Loose leaf service.)

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—*Operating Expenses in Department Stores in 1924.* (Cambridge, Harvard University Press, 1925. 133 p. Bulletin No. 53.)

—*Operating Expenses in Wholesale Automobile Equipment Business in 1924.* (Cambridge, Harvard University Press, 1925. 99 p. Bulletin No. 51.)

—*Operation Expenses in the Wholesale Drug Business in 1924.* (Cambridge, Harvard University Press, 1925. 95 p. Bulletin No. 50.)

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—*Operating Expenses of Building Material Dealers in 1926.* (Cambridge, Murray Printing Company, 1927. 65 p. Bulletin No. 64.)

—*Operating Expenses of Department Stores and Departmentized Specialty Stores in 1926.* (Boston, George H. Ellis Company, 1927. 27 p. Bulletin No. 63.)

—*Operating Expenses of Private Schools for the Year 1925-26.* (Cambridge, Murray Printing Company, 1927. 26 p. Bulletin No. 62.)

—*Operating Expenses of Retail Jewelry Stores.* (Cambridge, Harvard University Press, 1926. 28 p. Bulletin No. 65.)

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Lewis, Cleona. *The International Accounts.* (New York, The Macmillan Company, c1927. 170 p.)

McNamara, Edward J. *Secretarial Training.* (New York, The Ronald Press Company, c1927. 305 p.)

Meecker, James Edward. *Work of the Stock Exchange.* (New York, The Ronald Press Company, 1922. 633 p.)

Mills, Frederick C. *The Behavior of Prices.* (New York, National Bureau of Economic Research, 1927. 598 p.)

North, Nelson L. and Van Buren, DeWitt. *Real Estate Titles and Conveyancing.* (New York, Prentice-Hall, 1927. 719 p.)

O'Brien, Daniel J., and Couchman, Charles B. *Hotel Administration Accounts and Control. 1st edition.* (New York, McGraw-Hill, 1927. 379 p.)

Patterson, Homer L., ed. *Patterson's American Educational Directory.* (Chicago, American Educational Company, 1928. 1040 p.)

Reep, Samuel N. *Second Mortgages and*

Land Contracts in Real Estate Financing. (New York, Prentice-Hall, 1928. 255 p.)

Schlatter, Charles F. *Elementary Cost Accounting.* (New York, John Wiley & Sons, 1927. 321 p.)

News Items

An article by Mr. G. P. Auld, of our New York Broad Street office, entitled "Will Europe Pay Her Debts?", appeared in the July issue of *The Bankers Magazine*.

Mr. James S. Wallace, of our Chicago office, is to be congratulated upon his success in passing the Illinois C. P. A. examination.

Mr. William H. Yates, also of our Chicago office, is to be congratulated upon passing the C. P. A. examination of the State of Illinois.

Mr. J. S. Rinehart, of our Saint Louis office, is to be congratulated upon passing the Missouri C. P. A. examination.

Mr. M. I. Pitcher, of our Saint Louis office, also was a successful candidate at the last C. P. A. examination of the State of Missouri.

Miss May C. Joyce, of our Denver office, is to be congratulated upon passing the Colorado C. P. A. examination.

Mr. Wilford W. King, of our Salt Lake City office, recently has passed the C. P. A. examination of the State of Utah.

Mr. J. W. Earle, of our New Orleans office, successfully passed the C. P. A. examination of the State of Louisiana.

Mr. Wildman recently acquired the C. P. A. certificate of the State of Louisiana.